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REPORT OF AUDIT

LANGUAGE INCENTIVE PAY

7-SP-005

DECEMBER 1996

AUDIT REPORT 7-SP-005
LANGUAGE INCENTIVE PAY
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LIST OF ABBREVIATIONS

EAP	Bureau of East Asian and Pacific Affairs
EUR	Bureau of European and Canadian Affairs
FAM	Foreign Affairs Manual
FMP	Bureau of Finance and Management Policy
M/FSI	Foreign Service Institute, Bureau of Management
M/FSI/SLS	School of Language Studies, M/FSI
FSO	Foreign Service officer
JO	Junior officer
M/DGP	Director General of the Foreign Service and Director of Personnel
NEA/SA	Bureau of Near Eastern Affairs, Southeast Asian Affairs
PER	Bureau of Personnel
PER/EX/IM	Information Management Division, Executive Office, PER
PLP	Post Language Program
WGI	Within-Grade Increase

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I. EXECUTIVE SUMMARY

Purpose

The Department's policies on the language proficiency of employees are based on the premise that foreign language skills are vital to the conduct of diplomacy. Through the Language Incentive Pay program, the Department provides monetary incentives to attract Foreign Service candidates who already possess foreign language proficiency, as well as to encourage members of the Foreign Service to learn certain languages and use those skills at overseas posts. Currently the program costs the Department about \$7.7 million annually.

Because of concern among some in the Department that the Language Incentive Pay program may not be achieving its goals, we conducted this audit to determine whether (1) program improvements could reduce program costs, increase effectiveness, or both; (2) the incentive language list is properly constituted; and (3) adequate management controls exist.

Background

The Language Incentive Pay program, authorized by section 704 of the Foreign Service Act of 1980 and established in volume 3 of the Foreign Affairs Manual (FAM) 870, provides incentives to (1) attract Foreign Service candidates with existing foreign language skills by awarding them extra within-grade steps when they enter the Foreign Service, (2) encourage members of the Foreign Service to attain proficiency in designated incentive languages by awarding them within-grade increases (WGIs), and (3) increase the return on the Department's investment in incentive language training by encouraging Foreign Service members to serve multiple tours at overseas posts where their incentive language skills can be used through at-post bonus payments. The original intent of the program was to provide incentives only for a few languages deemed critical to the needs of the Department. However, over the years the program has grown from 14 to 47

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languages. The program costs about \$7.7 million annually, with approximately \$3.7 million in at-post bonuses (FY 1995) and at least \$4 million worth of in-service payments for WGIs (not including any effect on retirement or other annuities).

Results in Brief

Since its inception, the Language Incentive Pay program has continued to expand in scope and cost, while the program's original objectives have become blurred. The result is a program that is often viewed by employees as a fringe benefit rather than a deciding factor in incentive language study, use, and maintenance. In addition, the Department is not taking full advantage of language skills that members of the Foreign Service are being paid to acquire. Once acquired, incentive language proficiency--in which the Department makes a significant investment for language training and incentive payments--quickly degrades, in part because the Department does not provide for language maintenance. This can result in incentive payments to officers who no longer meet the proficiency requirements. Further, the criteria used to determine incentive languages are flawed, resulting in questionable languages being eligible for incentive status. Finally, management controls governing the program are ineffective.

Principal Findings

Program Objectives And Cost

The Department's Language Incentive Pay program is not fully meeting its objectives and is too costly. The extra WGI's provided to Foreign Service entrants with existing language skills are not effectively used as a recruiting tool; rather, in most cases Foreign Service candidates learn about them only after applying for the Foreign Service exam. The WGI's awarded for acquisition of new incentive language skills are too costly. While their purpose is to motivate Foreign Service members to enroll in incentive language study, few students regard the WGI's as a deciding factor in doing so. In addition, the WGI's carry a long-term hidden cost for the Department that outlives and surpasses the benefits accrued.

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The bonuses paid for use of incentive language skills at post are also not viewed as a deciding factor. Many members make their decisions regarding post selection and language training on other factors, with language incentives usually considered “icing on the cake.” Of the Foreign Service officers (FSOs) who studied one of four incentive languages at the Foreign Service Institute (M/FSI) from 1986-1988, only about 35 percent have served a repeat tour in a country speaking the incentive language they were taught at Department expense.

In addition, the Department’s large investment (about \$24 million in 1995) in incentive payments and language training--both incentive and non-incentive--is not well-protected. The deep funding cuts for post language programs, and the lack of a language maintenance regime, contribute to degradation of valuable language skills. The Department’s 5-year period for language test score validity is insufficient to promote the maintenance of language skills, but rather adds to the degradation, to which incentive languages can be particularly vulnerable. As a result, unqualified officers could receive language incentive payments.

Incentive List

The Department does not properly maintain the incentive language list, and the criteria for inclusion on the list are flawed. In addition, the program lacks a review mechanism to ensure that the designated languages remain appropriate. The result is an incentive list that may not accurately reflect the needs of today’s Foreign Service, and can cost the Department more than necessary.

Management Controls

The processes that govern awarding of language incentive payments--both the WGI's and at-post bonuses--are inefficient and error-prone. We found instances of either too few or too many WGI's being awarded to employees. Furthermore, we found instances where at-post bonus payments continued long --in some cases more than a year--after the employee left post.

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The results are erroneous payments and wasted staff time spent correcting such mistakes.

Recommendations We recommend that the Department make better use of the incentive for language-proficient new hires. We also recommend that WGI's for acquisition of new incentive language skills be replaced with lump-sum bonuses. We further recommend that the Department's investment in training and incentives be better protected by (1) increasing the percentage of incentive language-trained officers who serve multiple tours in the language; (2) establishing new, less costly language maintenance systems for use at post; and (3) requiring more frequent retesting of language incentive pay recipients.

Regarding the incentive language list, we recommend that the Director General of the Foreign Service and Director of Personnel (M/DGP) and M/FSI collaborate to revise the incentive language list criteria to better reflect the needs of today's Department, and that they institute a formal review process.

Finally, we recommend that the Bureau of Finance and Management Policy (FMP) modify its payroll system to automatically terminate at-post bonuses upon employees' transfer, and remind posts of reporting requirements related to termination of language incentive pay.

Department Comments

We solicited comments to a draft of this report from three functional bureaus (M/DGP, M/FSI, and FMP) and all five geographic bureaus (though we only received comments from three: the Bureau of East Asian and Pacific Affairs (EAP), the Bureau of European and Canadian Affairs (EUR), and the Bureau of Northeast Asian and South Asian Affairs (NEA/SA)). In general, the bureaus recognized the need for reform of the Language Incentive Pay program and supported the intent of our recommendations. However, some bureaus disagreed with some of the specific recommendations intended

to carry out this reform. Following each recommendation with which a bureau or bureaus disagreed, we have summarized the reasons for their disagreement, as well as our response. Where we agreed with the bureau's comment, we changed the recommendation accordingly.

The bureau responses are included in full as appendixes B - G. OIG responses to selected bureau comments are included in appendix H.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of the audit was to review the effectiveness and management of the Department's Language Incentive Pay program. Specifically, we evaluated whether (1) program improvements could reduce program costs, increase effectiveness, or both; (2) whether the Incentive Language List is properly constituted; and (3) whether adequate management controls are in place.

This report is the result of work performed at domestic locations in Washington, D.C., Charleston, SC, and at six overseas sites. The domestic locations included the Director General of the Foreign Service and Director of Personnel, the Bureau of Finance and Management Policy, the Bureau of Near Eastern Affairs, the Bureau of East Asian and Pacific Affairs, and M/FSI . We also interviewed officials at six other Federal agencies: the Departments of Agriculture, Commerce, and Defense, the Central Intelligence Agency, the Agency for International Development, and the U.S. Information Agency. The overseas posts visited were within the Bureau of East Asian and Pacific Affairs: Seoul, South Korea, Beijing and Guangzhou, People's Republic of China, Hong Kong, and Bangkok, Thailand. We interviewed more than 70 FSOs at these overseas sites. Audit fieldwork was conducted between July 1995 and March 1996.

The selection of overseas posts was based on a combination of factors related to the size of the post, the incentive language spoken in-country, and the number of language designated positions (designated as requiring proficiency in the host country's language) at the post, as well as concerns from the cognizant geographic bureau.

We employed two samples during the course of our review. The first sample was a combination judgmental and random sample of language incentive pay recipients to test Departmental compliance with regulations governing amounts and timing of language incentive payments. In order to test post compliance with regulations governing departure notice reporting, the second sample was a random sample of FSOs that had received language incentive payments and had subsequently departed their overseas post.

During our review we attempted to estimate the Department's annual expenditures related to the Language Incentive Pay program, including costs for at-post bonuses as well as costs related to within-grade increases. Appendix A contains an explanation of the methodology we used to arrive at our estimate of \$7.7 million in Language Incentive Pay-related costs for FY 1995.

In addition, we considered relevant findings from a related Office of Inspector General report, "Department of State Foreign Language Program" (SORT-93-10), issued in July 1993.

This audit was performed by the Departmental Support Programs Division within the Office of Audits. Major contributors to this report were Floyd B. Justice, division director; John Meenan, audit manager; Shawn M. Bates, auditor-in-charge; and Dale Lawver and Margery Wimmer, auditors. This audit was performed in accordance with generally accepted government auditing standards.

III. BACKGROUND

The Foreign Service Act of 1980 authorized the Secretary of State to provide monetary incentives to encourage members of the Foreign Service to acquire and retain proficiency in foreign languages needed in the Service. Subsequently, the Department initiated the Language Incentive Pay program. The program (established in 3 FAM 870) provides incentives to (1) attract Foreign Service candidates with existing language skills; (2) encourage members of the Foreign Service to attain proficiency in designated incentive languages; and (3) increase the return on the Department's investment in incentive language training, by encouraging Service members to serve multiple tours at overseas posts where their incentive language skills can be used. The Language Incentive Pay program costs about \$7.7 million annually for within-grade increases and bonus payments (see appendix A for details on this estimate).

Incentive Language List

Established in 3 FAM 870, the incentive language list contains those languages for which the Department has authorized special incentives to members of the Foreign Service. The incentive language list contained 14 languages in 1981, and contains 47 languages today. Table 1 shows the current incentive language list.

TABLE 1.
INCENTIVE LANGUAGE LIST

Hard Languages			Super-Hard Languages
Albanian	Hebrew	Serbian	Arabic
Amharic	Hindi	Sinhala	Chinese (Cantonese)
Armenian	Hungarian	Slovak	Chinese (Standard)
Azerbaijani	Kazakh	Tagalog	Japanese
Bengali	Khmer	Tajik	Korean
Bulgarian	Kyrgyz	Tamil	
Burmese	Lao	Thai	
Croatian	Latvian	Turkish	
Czech	Lithuanian	Turkmen	
Dari	Mongolian	Ukrainian	
Estonian	Nepali	Urdu	
Farsi	Pashto	Uzbek	
Georgian	Polish	Vietnamese	
Greek	Russian	Visayan	

Languages on the incentive list meet three criteria currently used by the Department: (1) the language is designated as hard to learn; (2) the language is spoken in a country of important foreign policy significance; and (3) the language is spoken in a country in which U.S. posts are hard to staff. In general, "hard" languages require 44 weeks of training to attain a minimum professional proficiency, while "super-hard" languages require more time, often 2 years, to reach that level. Super-hard languages include so-called "tonal" languages or those with character-based writing systems. Table 2 shows the proficiency scale M/FSI uses to measure language skills.

TABLE 2.
LANGUAGE SKILL RATING SCALE

Speaking Proficiency Scale		Reading Proficiency Scale	
S-0	No practical speaking proficiency	R-0	No practical reading proficiency
S-1	Elementary speaking proficiency	R-1	Elementary reading proficiency
S-2	Limited working proficiency	R-2	Limited working proficiency
S-3	General professional proficiency	R-3	General professional proficiency
S-4	Full professional proficiency	R-4	Full professional proficiency
S-5	Native/bilingual proficiency	R-5	Native/bilingual proficiency

Language proficiency scores are valid for 5 years, except for a score of S-5/R-5, which is valid indefinitely. Service members who achieve two S-4/R-4 scores at least 2 years apart are also considered proficient at the S-4/R-4 level indefinitely.

The Department spent approximately \$20 million for language training in FY 1995, both at M/FSI and at the overseas language schools. Based on the number of students who studied languages at M/FSI and the number of hours they studied, we estimate that it costs the Department about \$31,000 to train an incentive language student for a full year (44 weeks). This figure does not include student salary, per diem (if applicable), or other related costs.

Attracting Language-Skilled Recruits

A primary goal of the program is to attract Foreign Service candidates with foreign language proficiency. This can increase the Department's pool of foreign language speaking employees, while potentially lowering training costs, as proficient new hires can require less language training than those without foreign language proficiency. The Language Incentive Pay

program allows newly-hired Foreign Service members with demonstrated foreign language skills to enter service 1 to 4 steps higher (depending on the language and proficiency level) within their initial grade; a maximum of 5 WGIs can be awarded for proficiency in multiple languages. The Department spent at least \$80,000 in awarding WGIs to 40 new hires for existing language skills in FY 1995.

This portion of the Language Incentive Pay program is not restricted to incentive languages; extra WGIs are also awarded to new hires for non-incentive languages, provided the language in question is a primary, primary-alternate, or secondary language at a Foreign Service post, as defined in Table 3.

TABLE 3.
LANGUAGE CATEGORY DEFINITIONS

Language Category	Criteria
Primary	Indigenous language which is either the sole and official national language of the area, or is used officially on a co-equal basis, with a primary-alternate language; or, an indigenous language which is used by a significant segment of the population but is not used officially by the government.
Primary-Alternate	A non-indigenous language used officially or widely by the government in conducting both internal and foreign affairs and by educated circles, whether or not an indigenous language is also used officially or generally by the people.
Secondary	A language other than a primary language used to communicate with a substantial segment of the population or with a minority group that is politically, economically, or culturally significant.

Table 4 shows the sliding scale on which WGIs for language proficiency are awarded to new hires.

TABLE 4.
NEW HIRE WGI SCALE
(EFFECTIVE AT DATE OF HIRE)

Language Category ^A	Minimum Rating	WGIs Awarded
A	S-3/R-3	2
B	S-2/R-2	2
B	S-3/R-3	4
B	S-2/R-N ^B	1
B	S-3/R-N	3

Note A: Language Category, in general, indicates the difficulty that a native English-speaker would have in learning the language. Category A languages indicate that a native English speaker would require less than 44 weeks to reach S-3/R-3 proficiency; examples are French, Spanish and Italian. Category B languages in general require 44 weeks or more to reach S-3/R-3 proficiency; all current Incentive languages are Category B.

Note B: N indicates there is no writing system pertinent to the needs of the Service.

Encouraging Study and Use of Incentive Languages

Another primary goal of the program is to encourage FSOs to attain proficiency in certain languages deemed critical to Department needs; these are the incentive languages. The Language Incentive Pay program awards one WGI to a Foreign Service member who completes 16 weeks of incentive language training. Subsequently, if the Service member attains the S-3/R-3 level of "general professional proficiency," he or she is awarded an additional two WGIs. If the employee completes incentive language training but does not attain S-3/R-3 proficiency, no additional WGIs are awarded. The Department awarded approximately 335 WGIs for study and proficiency in incentive languages in FY 1995, with a first-year value of about \$500,000. We estimate that such WGIs--which carry a hidden, long-term expense--cost the Department \$4 million, or more, annually (not including any effect of the WGIs on pensions or other annuities).

In addition to the WGIs for attaining incentive language proficiency, the Language Incentive Pay program awards bonuses to Foreign Service members with S-3/R-3 or greater proficiency who serve an initial tour at an incentive post and occupy a language-designated

position. These bonuses are percentages of base pay and are paid biweekly for the duration of the tour. Individuals proficient at the S-3/R-3 level receive a bonus equal to 10 percent of base pay, while those proficient at or above the S-4/R-4 level receive 15 percent of base pay. In FY 1995, the Department paid approximately \$3.7 million in at-post incentive language bonuses.

Encouraging Repeat Tours

The final goal of the Language Incentive Pay program is to increase the return on the Department's training investment by encouraging Foreign Service members to serve multiple tours at overseas posts where their incentive language skills can be used. The program awards the same base-pay bonuses described above if a language proficient Foreign Service member--who has already served an initial tour in a language-designated position at an incentive post--serves another tour at a post where that incentive language is spoken (provided the FSO has a valid proficiency score in that language). The position occupied in this subsequent tour need not be language-designated. In this way, the Department hopes to take maximum advantage of the investment made in language training.

IV. FINDINGS

A. THE PROGRAM IS NOT FULLY MEETING OBJECTIVES AND IS TOO COSTLY

The Department's Language Incentive Pay program fails to fully meet its objectives, and is too costly. The Department does not effectively use the incentive intended to attract language-proficient candidates to the Foreign Service. In addition, the incentives intended to encourage Foreign Service members to attain incentive language skills and encourage use of incentive language skills at post--particularly for multiple tours--are not fully effective. Improvements in these areas could result in a less costly, more effective incentive program, which would better meet the program's objectives, as well as better protect the Department's considerable investment in incentives and language training.

Incentives for Recruits

The first language incentive that many Foreign Service members qualify for when hired is the extra WGIs they can receive for language proficiency they possess prior to joining the Department. However, the Department does not adequately publicize this incentive to prospective candidates. The result is that the target population for this incentive--language proficient candidates--are often unaware of it.

Potential Recruits Not Exposed to Incentive

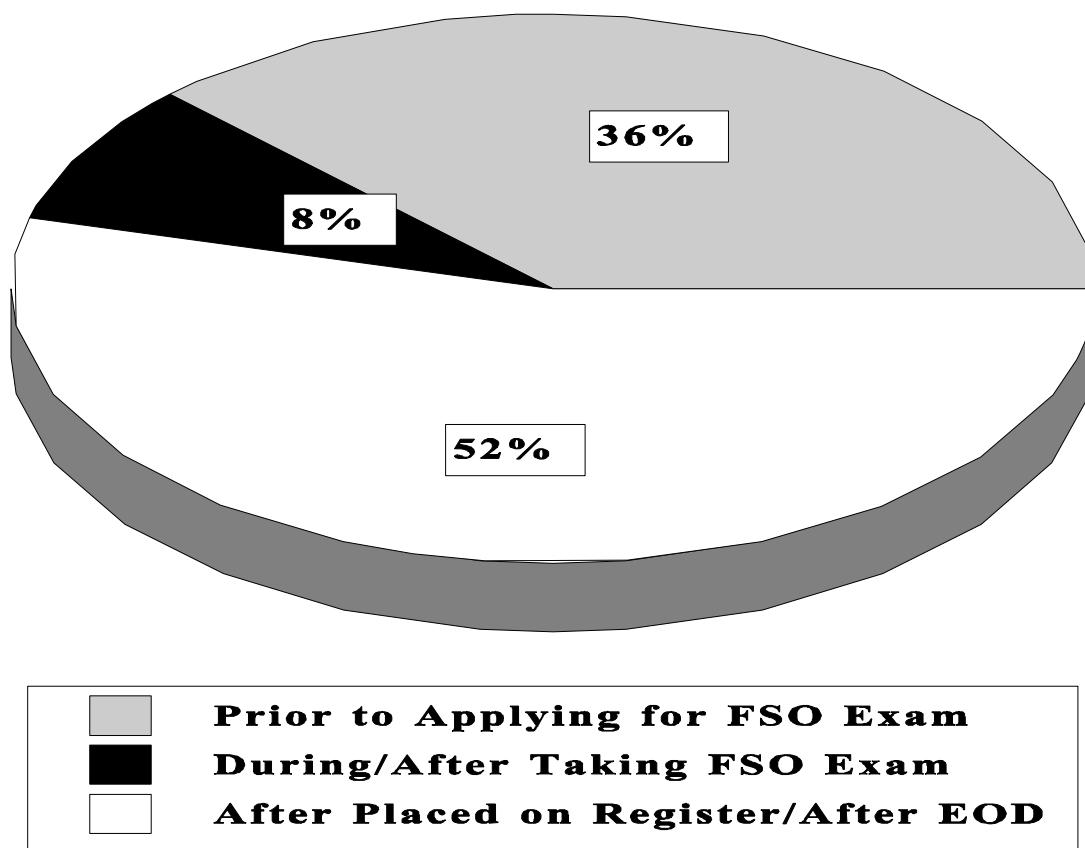
Currently, the primary Department publication that could alert potential FSO candidates to the existence of extra WGIs for language skills ("Briefing Notes for Presenters," used to guide recruiters in conducting presentations to potential Foreign Service candidates), does not mention the incentive. The Bureau of Personnel (PER) intends to modify the document to include specific reference to the incentive; however, the revised version is not yet in use by Department recruiters.

Two other publications contain information about the incentive: the "Application for the Foreign Service Officer Examination" and "Joining the Foreign Service." However, these publications are given only to candidates who are either already interested in taking the FSO exam, or who have been accepted for employment by the Department.

We surveyed 77 (out of 85) junior officers (JOs) hired from 1992 through 1995 who received WGIs for existing language proficiency. Of the 36 who responded, 60 percent indicated they were not aware of the availability of the WGIs for existing language proficiency until after they had taken the FSO exam, as shown in Figure 1.

FIGURE 1.

RESPONSES OF RECENTLY-HIRED JOs ASKED WHEN THEY FIRST LEARNED OF
THE AVAILABILITY OF WGIs FOR LANGUAGE SKILLS



Note: Responses for "Other" (3 percent) not included

Besides limiting the exposure of potential candidates to the available incentive, the Department may actually send signals to prospective FSOs that language skills are not considered in hiring decisions. The "Application for the FSO Examination" states that while language proficiency can result in a higher starting salary, "...the Foreign Service does not recruit or hire based on foreign language capabilities." To potential Foreign Service candidates, such representations may call into question the value the Department places on existing foreign language skills.

In 1995, the Department also implemented the "high pass" option for grading the candidates' personal interview in response to the 1994/95 Foreign Relations Authorization Act, which required the Department to give hiring preferences to individuals with foreign language skills. The high pass option allows candidates with foreign language skills to achieve a personal interview score of 6.5 points, rather than the normal maximum score of 6. However, as with the

WGI incentive for existing language skills, the Department does not make the existence of the high pass known to potential applicants. In fact, an instructional sheet that is used by officials administering personal interviews states that the interviewers should not inform the candidate that a high pass is possible. This lack of awareness on the part of potential FSO candidates is inconsistent with the program goals and with the congressionally directed effort to attract language proficient candidates.

From 1992 to 1995, only about 15 percent of the JOs that entered the Foreign Service received WGIs for existing language proficiency. The Department could better use the incentives available to encourage language proficient individuals to apply to the Foreign Service and could potentially attract a higher percentage of JOs with existing foreign language skills.

Incentive May Not be Effective

Of the JOs that responded to our survey and indicated that they were aware of the incentive prior to taking the FSO exam, about 80 percent stated that the incentive was not a significant factor in their decision to apply to the Foreign Service. PER officials said that those foreign language proficient candidates who apply to the Department are more likely to be motivated by existing interest in, and study of, languages and cultures, rather than by the monetary incentives. Thus, it may be unnecessary to pay this incentive to attract language qualified applicants to the Foreign Service. However, since the incentive has not been used as a recruiting tool, we believe that the incentive should be properly publicized in order to measure its success. If, after a test period, the incentive is shown to be ineffective in recruiting language proficient candidates, it should be discontinued.

Substantial funds could be put to better use by attracting language-proficient entrants, as language training costs are reduced. Such savings can be \$30,000 or more per student year for training costs alone; additional productivity benefits accrue from FSOs spending less time in language training, and more time performing their jobs. Therefore, the Department should emphasize those incentives that are successful in attracting language-proficient entrants. Currently, the Department lacks data to determine the effectiveness of these incentives.

Recommendation 1: We recommend that the Director General of the Foreign Service and Director of Personnel take steps to ensure the availability of within-grade step increases for existing language proficiency and the high pass are publicized to prospective Foreign Service recruits through informational materials and during recruiting interviews.

Recommendation 2: We recommend that once Recommendation 1 has been implemented, the Director General of the Foreign Service and Director of Personnel monitor the effectiveness of the incentive. Should the incentive prove ineffective in attracting language proficient candidates to the Foreign Service, it should be discontinued.

In commenting on a draft of this report, M/DGP stated that the WGI incentive for incoming JOs should be eliminated. M/DGP based this view on the assertion that, as noted

above, the incentive is not functioning as intended and cannot be made to serve its original purpose. In addition, M/DGP noted that it would be difficult to measure the effectiveness of the incentive. M/DGP further stated that language qualified applicants who are attracted to the Foreign Service by the WGIs and are eventually hired do not necessarily serve at posts where their language skills can be put to use. Therefore, M/DGP believes there is little or no direct benefit to the Foreign Service from offering these WGIs for language qualified JOs.

While we agree with M/DGP that the incentive has not functioned as intended, we believe that it would be premature to declare the incentive unworkable; the incentive simply has not been properly implemented, which should be accomplished prior to evaluating functionality. We believe that it would be possible to track the effectiveness of the incentive through surveying interested applicants and new JOs. In addition, M/DGP should consider congressional concerns. The FY 1994/95 Foreign Affairs Authorization Act mandated that the Department offer incentives to language qualified entrants. Before abolishing this incentive, as suggested by M/DGP, the Department should consider whether it would remain in compliance with the law. In addition, we believe that M/DGP's assertion that language qualified JOs do not always serve at posts where their language skills can be used is not a sound basis for discontinuing the incentive. As we note in Part V, "Other Matter for Consideration," the Department should consider whether additional focus on the assignment process for new JOs could lead to more language qualified JOs serving at posts where they could in fact use their skills--which could result in less language training at Department expense, as well as more effective JO performance at post.

Incentive Language Study and Use at Post

The Department's Language Incentive Pay program attempts to motivate FSOs to study and attain proficiency in incentive languages, and to use those skills at post. The incentives used to achieve these objectives are WGIs, which are awarded for incentive language study and tested proficiency and at-post bonuses, which are intended to motivate FSOs to serve at incentive language posts. However, these incentives are either too costly or are not fully achieving their intended objectives. In addition, policies governing the program do not sufficiently protect the Department's significant investment in incentive payments and language training. Changes to the incentive structure and other related policies could result in a less costly, more effective program.

WGIs for Incentive Language Study

The Department offers WGIs for incentive language training and proficiency in order to encourage FSOs to bid on language designated positions at incentive posts. Officers who complete 16 weeks of incentive language study are awarded one WGI; those who subsequently attain a S-3/R-3 proficiency in an incentive language are awarded two additional WGIs.

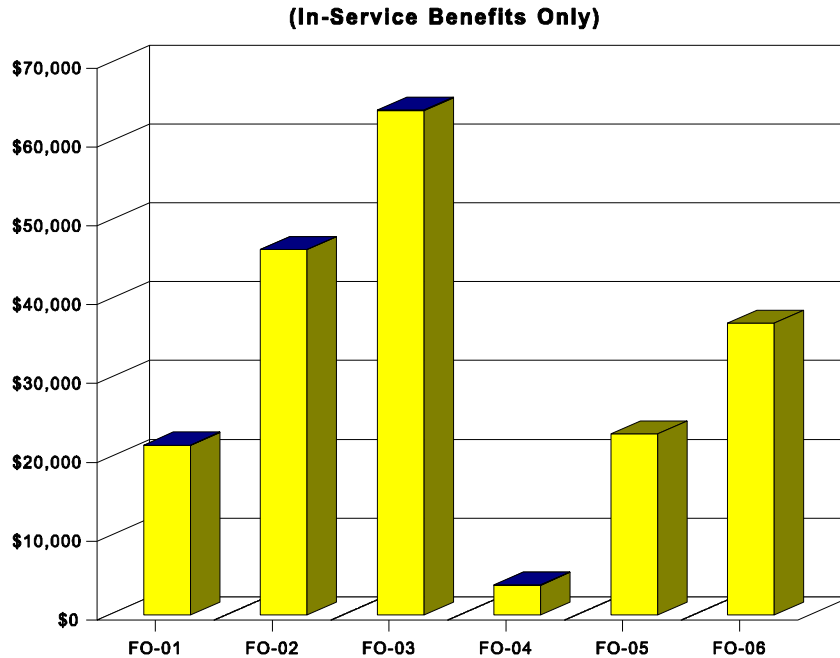
However, the incentive is not a significant motivator. The majority of FSOs we interviewed judged WGIs awarded for incentive language study and proficiency to be of marginal

motivational value in determining what posts and positions to bid on. In most cases, FSOs said that career enhancement, family needs, quality of life, and size of post allowances and post differentials are the deciding factors; very few officers stated that their decision on whether to study an incentive language was influenced by the availability of the WGIs. A significant number of FSOs did say that the WGIs provide an added incentive for putting maximum effort into incentive language studies once enrolled, and many indicated that the WGIs are viewed as a reward for a job well-done in language training. However, these officers clearly indicated these are secondary motivational factors.

In FY 1995, the Department awarded approximately 335 WGIs for incentive language study and/or proficiency. These WGIs carried a cumulative first-year value of about \$500,000 and an enormous--and hidden--long-term cost for the Department as future salary payments are inflated by the receipt of WGIs. We developed a model that conservatively estimates that the WGIs awarded in FY 1995 will result in a total payout of more than \$4 million of in-service salary payments, with some continuing for as long as 19 years or more. This estimate does not include any effect of the WGIs on fringe benefit payments (life insurance, post allowances and differentials, etc.), nor does it include any effect on retirement annuity payments; such factors boost the true cost of these WGIs even higher. Figure 2 shows potential total in-service benefits that typical FSOs could receive from a 3-WGI award for incentive language study for specific grade levels (figures are based on average time-in-class, promotion rates, and 1995 Foreign Service salary data).

FIGURE 2.
POTENTIAL IN-SERVICE BENEFITS FOR TYPICAL FSOs FROM A 3-WGI

INCREASE FOR INCENTIVE LANGUAGE STUDY



Note: The disparity in potential in-service benefits among grades is due to the average promotion rates from FO-04 to FO-03, and from FO-03 to FO-02. Figures do not include effect on pension or other annuities, if any.

It is not in the Department's interests to continue to make payments, in some cases for almost 2 decades, when the recipients do not view the incentive as a significant motivator in their decision whether to enroll in incentive language training. The residual effects of these WGIs result in the Department continuing to pay for the incentive long after the FSO has completed incentive language training and served his or her initial tour at the incentive post. It would be consistent with program objectives to replace the current payment system with one that recognizes the employee's decision to study an incentive language and provides an appropriate reward. We believe that replacing WGIs with one-time lump-sum bonuses would result in significant savings for the Department, while maintaining an appropriate emphasis on the student's efforts.

Recommendation 3: We recommend that the Director General of the Foreign Service and Director of Personnel replace the within-grade step increases for incentive language study and proficiency with lump-sum bonuses, equal in value to the 1-year value of the within-grade step increases that are replaced.

If implemented in 1997, we estimate this action could result in annual savings of at least \$400,000 in 1998, \$1 million in the year 2000, and about \$3.5 million per year by 2010.

Bureaus that commented on Recommendation 3 include M/DGP, M/FSI, EUR, NEA/SA and EAP. M/DGP and M/FSI concurred in part, stating that WGIs should be eliminated, not replaced with lump-sum bonuses. EUR concurred with the recommendation. NEA/SA partially concurred, and EAP did not concur with Recommendation 3; both stated that lump-sum bonuses would not be as effective an incentive as the WGIs. We respond to these comments fully in appendix H.

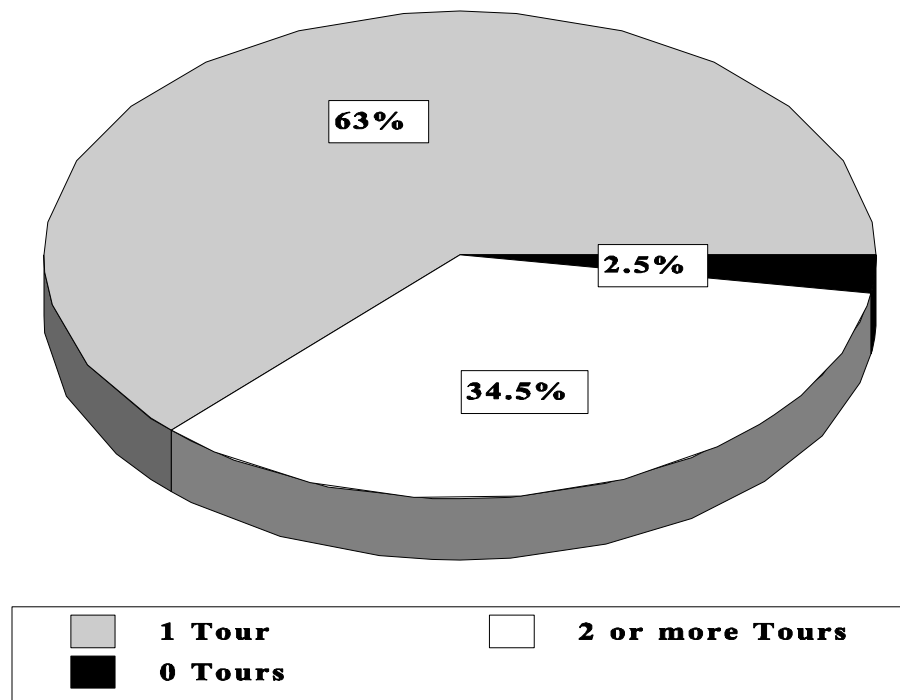
At-Post Incentive Language Bonuses

The at-post bonuses for incentive language proficiency are intended to increase the return on the Department's investment by encouraging repeat tours at incentive posts. However, the Department often receives only a single tour from an FSO who has completed long-term incentive language training. In many cases, if a repeat tour is served in that language, it may come after such a delay as to require refresher training.

We reviewed the post-training assignment history of all FSOs who completed long-term incentive language training in one of four incentive languages (Russian, Chinese, Korean, and Arabic) between 1986 and 1988. They were enrolled in the "full training" program, with the goal of reaching S-3/R-3 proficiency (1 year for Russian language training, 2 years for the others). Subsequent to completion of incentive language training each FSO has had 4 to 6 onward assignments (including, in most cases, the initial post-training tour at an incentive language post). Relatively few of these FSOs served multiple tours in the same incentive language subsequent to their language training. The results of our analysis are depicted in Figure 3.

FIGURE 3.

NUMBER OF INCENTIVE LANGUAGE TOURS SERVED BY FSOs AFTER



COMPLETING INCENTIVE LANGUAGE TRAINING

According to officials at M/FSI's School of Language Studies (M/FSI/SLS), serving a tour at an incentive post many years after last using the language can result in the need for retraining in the incentive language. The Department should attempt to realize the benefits from long-term incentive language training as soon after the training occurs as possible. However, this is not presently the case. The nature of the open assignment process, coupled with the primary motivators that influence which positions and posts FSOs decide to bid on, results in cases where the availability of at-post incentive language bonuses do not motivate an FSO to serve a repeat tour. Therefore, the Department should take steps to ensure that it receives a reasonable return on its investment in the form of multiple tours after long-term incentive language training.

Recommendation 4: We recommend that the Director General of the Foreign Service and Director of Personnel take steps to ensure that officers enrolled in long-term incentive language training serve more than one tour at a post where that incentive language can be used. In addition, every effort should be made to ensure that these multiple tours are served as close together as possible, to help prevent the need for additional language training prior to the start of the follow-on tour.

Bureaus that commented on Recommendation 4 include M/DGP, EUR and NEA/SA. M/DGP disagreed with the existence of a problem with the frequency of repeat tours, while EUR and NEA/SA stated that Recommendation 4 would be impractical to implement. We respond to these comments fully in appendix H.

Principals Receiving Language Incentive Pay

Under the Language Incentive Pay program, the at-post bonuses--for serving in an incentive language designated position or for serving a subsequent tour in a country where the incentive language is spoken--are open to all post personnel, providing they meet the qualifications. This includes Chiefs of Mission and Deputy Chiefs of Mission. However, as previously discussed, the primary goal of these incentives is to motivate FSOs to choose to serve at incentive posts where they can use their language skills. During our review, Department officials at M/DGP and M/FSI questioned the wisdom of allowing Chiefs of Mission and Deputy Chiefs of Mission to receive Language Incentive Pay. These officials noted that such positions are highly coveted and fiercely competed; Chiefs of Mission are presidentially-appointed. It is unrealistic to believe that Language Incentive Pay plays any role in a decision on whether to accept a position as Chief or Deputy Chief of Mission. Given this, we believe that there is no compelling justification for allowing Chiefs of Mission or Deputy Chiefs of Mission to be eligible for Language Incentive Pay, including both the at-post bonuses and the lump-sum cash bonuses for successfully completing long-term incentive language study called for in Recommendation 3.

Recommendation 5: We recommend that the Director General of the Foreign Service and Director of Personnel (M/DGP) revise the Foreign Affairs Manual to exclude Chiefs of Mission and Deputy Chiefs of Mission (excluding Deputy Chief of Mission/Special Embassy Program (DCM/SEP) incumbents) from receiving language incentives, including both bonuses for completing incentive language training, and at-post bonus payments. We further recommend that M/DGP review the issue of whether to exclude DCM/SEP incumbents if compelling justification cannot be found for allowing such individuals to continue to receive the incentives.

In its comments on the draft report, M/DGP agreed with this recommendation but requested that it be allowed to further study the question of whether to exclude DCM/SEP incumbents. We agree and have modified this recommendation accordingly.

NEA/SA agreed with this recommendation, while EUR and EAP disagreed, suggesting that M/DGP retain the latitude to offer the incentive when needed. We believe that by addressing M/DGP's sole concern with this recommendation, we have given it the latitude it requested.

Protection of Department Investments

The Department incurs a significant annual expense for language training and incentive payments. As previously noted, incentive WGIs can carry an annual cost of over \$4 million, while

at-post bonuses amounted to about \$3.7 million in FY 1995. In addition, the Department spends about \$20 million annually for M/FSI language training. In order to protect this considerable investment, Department policies governing language proficiency testing, eligibility for incentive payments and language skill maintenance should be revised. These steps could result in better retention of incentive language skills by FSOs and could decrease retraining costs.

More Frequent Retesting

Currently, 3 FAM 870 states that most language proficiency scores are valid for a period of 5 years. Scores of S-5/R-5 are valid indefinitely, while an FSO who achieves two scores of S-4/R-4 or higher at least 2 years apart is considered proficient at the S-4/R-4 level indefinitely as well.

However, many of the incentive language-proficient FSOs we interviewed pointed out that incentive language proficiency scores can rarely be considered valid for 5 years. In many cases, the FSOs admitted that a gradual skill degradation begins almost immediately after graduation from M/FSI language training. Many of these FSOs stated that skill degradation continues throughout their tour and is primarily due to the fact that their level of discourse in the language while at post is not as intense as in the classroom. Only those relative few FSOs who stated that they use their skills for the majority of each day, and at a sophisticated level of discourse, reported that their skills do not degrade. However, many FSOs, including those in language-designated positions, report that their jobs do not require them to function at such a level. Those who speak super-hard languages, such as Chinese, Japanese, and Korean, indicated that this can be more of a problem for them because the character-based nature of the writing system is harder to retain than in other languages.

Officials at the M/FSI School of Language Studies confirmed this, stating that unless the language is used to the same degree as in the classroom, attrition can and does occur, and that hard languages are more vulnerable. These M/FSI officials said that higher scores, such as S-4/R-4 or above, are generally less vulnerable to attrition than scores of S-3/R-3 or lower. However, most M/FSI long-term incentive language training is not structured to achieve proficiency beyond the S-3/R-3 level, because the Department has no language designated positions classified higher than S-3/R-3. Of those FSOs who completed M/FSI's full training program in six incentive languages (Thai, Russian, Chinese, Japanese, Korean, and Arabic) from 1994 to 1995, only about 2 percent achieved proficiency scores of S-4/R-4 or higher, while 77 percent achieved their target score of S-3/R-3; 21 percent did not achieve their target proficiency.

Since FSOs are not routinely tested at the completion of an incentive language tour, M/FSI does not possess data to permit the tracking of FSOs proficiency scores as they complete an incentive tour; therefore, we cannot estimate the extent of incentive language skill attrition. However, based on M/FSI's opinion on language skill attrition, the predominance of incentive language proficiency scores in the S-3/R-3 range, and the views expressed by the FSOs at incentive language posts, we believe that the current 5-year period of validity for proficiency

scores below S-4/R-4 is too long and could result in proficiency scores that may not represent a valid estimate of the individuals' current skills. In cases where an FSO begins an incentive tour with a proficiency score that is nearing the end of the 5-year validity period, the FSO could begin receiving Language Incentive Pay based on a score that does not accurately represent the officer's proficiency.

In addition to regulating proficiency score validity, the FAM requires that at-post language incentive payments, once initiated, continue throughout an FSO's tour (3 FAM 873.5). The FAM guarantee of incentive payments throughout a tour once initiated, combined with the 5-year test score validity period, has resulted in cases where incentive payments were made to FSOs whose scores have expired and whose skills could have degraded below the level required for incentive eligibility. Given that most overseas tours are 2 or 3 years long, we believe that requiring FSOs to take a proficiency test prior to beginning an incentive language tour would increase the Department's confidence that its officers receiving Language Incentive Pay have the required proficiency. In addition, removing the FAM-mandated guarantee of Language Incentive Pay throughout an officer's tour could prevent those officers whose test scores expire during extended or back-to-back tours at an incentive post from receiving Language Incentive Pay without retesting.

Recommendation 6: We recommend that the Director General of the Foreign Service and Director of Personnel require that all Foreign Service Officers assigned to incentive language posts and who will receive language incentive payments be required to take a proficiency test prior to beginning their tour of duty, if their last proficiency test in that language is more than 6 months old.

Recommendation 7: We recommend that the Director General of the Foreign Service and Director of Personnel replace the Foreign Affairs Manual guarantee of incentive payments throughout a tour with the requirement that incentive payments be terminated if an officer's proficiency score falls below the S-3/R-3 level, or if the proficiency score expires without a retest, during the FSO's tour.

Bureaus that commented on Recommendations 6 and 7 include M/GDP, M/FSI, EUR, NEA/SA, and EAP. M/DGP questioned the appropriateness of the requirement to retest 6 months prior to a new incentive language tour. M/FSI stated that supervisors in the field could face difficulties if asked to determine when their subordinates' language skills had degraded. EUR and NEA/SA concurred with both recommendations. EAP concurred with the intent of Recommendation 6, but expressed concern over the logistics of arranging for proficiency re-tests. We respond to these comments fully in appendix H.

Support for Skill Maintenance at Post

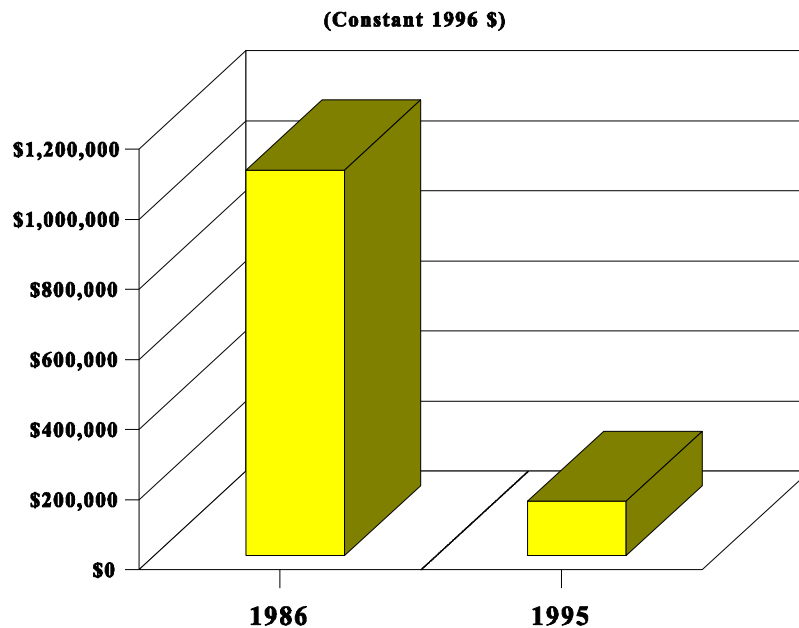
According to many of the FSOs at overseas incentive posts, one way to help prevent language skill degradation is for FSOs to exercise their skills outside of their jobs. FSOs

frequently cited the need for structured language practice outside their normal job duties. Some stated that structured practice would permit them to explore dialogue and skills that they do not always use in their assignments. Chiefs of Mission at two incentive posts stated that language skills are a cause for concern and stated that they supervise some reporting officers whose language skills are not commensurate with the S-3/R-3 rating they received after M/FSI incentive language training. Both Chiefs of Mission said practice away from the job could improve the language skills of these FSOs.

Many FSOs said that they would like to see the funding of language instruction at post, akin to a post language program (PLP).¹ They believe that the Department does not do enough to support language skill retention, and that PLPs--if properly designed and managed--would be a very cost-effective way to assist FSOs in maintaining their skills. However, funding for PLPs has dropped considerably in the last 10 years. Figure 4 shows the decline in PLP funding from 1986 to 1995 among the 20 posts that had the highest PLP funding levels in 1986.

¹ Post Language Program denotes a program sponsored by an overseas post whereby foreign language skills are obtained, maintained, or enhanced, usually through language classes or one-on-one tutoring with foreign national instructors.

FIGURE 4.



PLP FUNDING, 1986 VS. 1995, FOR THE TOP 20 PLP POSTS IN 1986

The drop in PLP funding appears to be attributable to two factors. First, in 1989 M/FSI slashed post PLP budgets by approximately 50 percent. Then, in 1990 responsibility for PLP management was transferred from M/FSI --which until then had distributed dedicated PLP funds to posts--to the regional bureaus. At that point, PLP funds became part of each post's allotment, and as such were no longer mandated to be spent on PLPs. Expenditures on PLPs began to drop further as post management decided to fund other priorities in the face of constrained resources.

Of the 5 incentive language posts we visited, only one had an active PLP, three had no program, while another had a partial program whereby language-deficient FSOs could be reimbursed for the cost of a private tutor. Several Chiefs of Mission and Deputy Chiefs of Mission at the posts we visited said that they do not fund a PLP due to lack of resources.

Officials at M/FSI /SLS believe that it would be possible to design a post language maintenance system that could be relatively inexpensive and easily implemented by overseas posts. Such a system could take advantage of new technology and advanced instructional methods and could be more effective than the current approach of instructor-taught classes.

We believe that the resource-driven decline in PLP funding over the last 10 years represents, in part, a lack of commitment by the Department to assist FSOs in maintaining their language skills. Though the Department faces further budgetary constraints in the future, exploration of a less-costly, more efficient language maintenance system could assist FSOs in maintaining their foreign language skills while minimizing the cost to posts. Such a system would

help protect an investment of up to \$90,000 or more per FSO in language training and incentive payments.

Recommendation 8: We recommend that the Foreign Service Institute design and make available to all overseas posts a post language maintenance system tailored to each foreign language. The goals of the system(s) should be to maintain the language proficiency of officers who have graduated from language training or who are receiving language incentive pay. The system(s) should be easily afforded and implemented by posts with constrained resources.

Recommendations 9-13: We recommend that the geographic bureaus, once the Foreign Service Institute has implemented Recommendation 8, should strongly encourage its overseas posts to obtain and implement the Foreign Service Institute-designed language maintenance system(s). In addition, the bureaus should strongly encourage language-proficient Foreign Service Officers to use the system once available. (Recommendation 9 - EUR, Recommendation 10 - NEA/SA, Recommendation 11 - EAP, Recommendation 12 - AF, Recommendation 13 - ARA).

All five bureaus that commented on Recommendations 8 and 9-13 concurred. However, the geographic bureaus that commented--NEA/SA, EUR, and EAP--expressed concern that should there be any costs associated with the new language maintenance system(s), they would not be in a position to incur those costs. NEA/SA suggested that some portion of the funds saved by replacing WGIs with lump-sum bonuses could be used to fund the new system(s).

We are sensitive to the funding constraints faced by all overseas posts, and the Department at large. We specifically developed Recommendation 8, in discussions with M/FSI, to call for affordable language maintenance systems. We believe that any such costs of the new system(s) could easily be funded from the monies saved by Recommendation 3, and that the Department should consider doing so. Additionally, we must view the Department as a whole, and remember that language maintenance at post can help avert future language training costs.

Language Skills Maintenance Between Tours

The Department should protect its investment in incentive language training during the period when incentive-language proficient FSOs are not serving at incentive posts. As previously noted, it is during such periods--when FSOs are not regularly using their incentive language--that these skills can be subject to the most attrition. This can result in the Department's inventory of incentive language speakers being hollow, as the skills of FSOs, who haven't used their incentive language(s) in several years or more, degrade. In many cases, according to M/FSI/SLS, retraining can be necessary if an FSO has not been stationed at an incentive post for several years. Such retraining, though not likely to require as long a period as the initial training, nevertheless takes the FSO off line, at full salary and benefits, for weeks or even months, in addition to the training cost incurred by M/FSI. Refresher language training can cost about \$2,900 to about \$8,600 for a 1- to 3-month course (not including FSO salary, benefits, or per diem, if any). In

addition, in cases where an urgent need for those language skills might arise, the ability of the FSO to quickly proceed to post could be inhibited by the need for refresher training.

Several other U.S. foreign affairs agencies and the British Government maintain incentives to facilitate language skill maintenance during periods when their employees are not serving at posts where the language can be used. The Department should consider such a program, which could help protect the Department's investment in incentive payments and incentive language training, and help maintain the viability of the incentive language speaker inventory. Such a program could reward FSO's who successfully maintain their incentive language skills between tours by providing them a cash award if they serve a future tour at an incentive language post and have maintained their proficiency such that they do not require refresher training, resulting in savings for the Department.

Recommendation 14: We recommend that the Director General of the Foreign Service and Director of Personnel and the Foreign Service Institute study the feasibility of and potential benefits from implementing a language maintenance incentive. Such an incentive should reward Foreign Service Officers who successfully maintain incentive language skills while serving at non-incentive posts and who subsequently serve a future tour in a language designated position at an incentive post, but do not require refresher training.

The geographic bureaus and M/DGP concurred with this recommendation. M/FSI, however, did not. In its comments, M/FSI stated that, while it would not object to the study per se, it would object to any additional language incentive such as might be recommended by such a study.

We believe that M/FSI's view is short-sighted. An incentive such as described in Recommendation 14 would cost the Department nothing and would likely result in some savings. This incentive is envisioned as a reward for FSOs who serve a follow-on tour in an LDP, but do not require refresher training. Such a reward could be a percentage of the training costs averted because the FSO has maintained proficiency. The FSO would have an additional incentive to maintain his or her skills, and the Department would save money over the cost of the averted refresher training.

B. THE INCENTIVE LANGUAGE LIST COULD BE IMPROVED

The Language Incentive Pay program pays most of its incentives only for proficiency and use of designated incentive languages. The list of incentive languages is maintained by the Department, which periodically adds new languages. However, the criteria used to determine Incentive List membership are either unsuitable or impractical. In addition, there is not a regular review of the list to determine whether languages continue to warrant inclusion. Revised criteria and a regular list review could improve the appropriateness of the list, and prevent unwarranted incentive payments.

Incentive List Criteria Flawed

The Department currently applies three criteria to determine whether a language should be included on the incentive language list. Languages are nominated by bureaus for inclusion; M/DGP recommends approval or disapproval to the Under Secretary for Management, who makes the final decision. The incentive list criteria are as follows:

- (1) The language must be a hard language to learn.
- (2) The language must be spoken in a country of important foreign policy significance.
- (3) The language must be spoken in a country in which U.S. missions are hard to staff.

Languages must meet all three criteria to be placed on the list. The list has continued to expand, from 14 languages in 1981 to 47 today. No language has ever been removed from the list.

The second and third criteria are flawed. In fact, of all the hard languages taught at M/FSI, only two--Finnish and Icelandic--are not on the incentive list. Therefore, criteria 2 and 3 have only prevented two hard languages from achieving incentive eligibility. These inappropriate criteria could lead to inclusion of languages that may not reflect the needs of the Department and could result in unnecessary incentive payments.

Second Criteria Too Vague

The second criteria for incentive list membership, that the language be spoken in a country of important foreign policy significance, is so vague as to allow inclusion of any country. Some Department officials pointed out that it is unlikely that diplomats representing U.S. interests in any country in the world would view that country as lacking important foreign policy significance. Some officials pointed to Mongolia as a prime example of a country that perhaps should not be considered to have importance for U.S. interests. Meanwhile, Finnish--spoken in a key neutral country on the periphery of the former USSR--was never on the incentive list, even during the height of the Cold War.

The second criteria should be reformulated to allow greater differentiation of nations' importance to U.S. interests and to permit inclusion only of those languages that are spoken in countries of critical significance to U.S. interests.

Third Criteria Questionable

The third incentive list criteria, that the language be spoken in a country in which U.S. missions are hard to staff, is questionable. Department officials indicated that countries--especially those with multiple posts--cannot meaningfully be designated as hard to staff. According to PER officials, individual positions can be defined as "hard-to-fill," if they have two or fewer bidders during the initial bid cycle. These officials maintain that a country may have one post that has numerous hard-to-fill positions, while another U.S. mission in the same country may not present a staffing problem at all. For example, the Post Management Officer for the Bureau of East Asian and Pacific Affairs said that while Tokyo is a relatively easy post to staff, with a high ratio of bidders to positions, Naha (Okinawa) has many hard-to-fill positions. In some cases, a post might not be considered hard to staff, while certain positions within that post might be perennially hard to fill. One example is Embassy Moscow, which PER officials said has plenty of bidders for all the reporting positions, but always has trouble filling General Services Officer slots. Based on these and other examples, we believe that a categorization by country is of questionable utility.

In addition, the Department categorizes some posts as "most-difficult-to-staff." According to PER, these posts are designated during the assignment cycle, based on bid volume and staffing difficulties. The currently-designated most-difficult-to-staff posts include four incentive language posts: Karachi, Chengdu, Shenyang, and Guangzhou. These posts further demonstrate the questionable utility of the third criteria. Karachi, an incentive language post considered most-difficult-to-staff, is within a country that has three other posts (Islamabad, Peshawar, and Lahore) that are not considered most-difficult-to-staff. Yet FSOs at all posts within Pakistan can qualify for incentive payments (for Urdu, Pashto, or Dari/Farsi). Likewise though there are only three most-difficult-to-staff posts in China: Chengdu, Shenyang and Guangzhou; however, FSOs in Beijing, Shanghai, and Hong Kong can all qualify for incentive payments as well.

Other Department officials pointed to Greece and Thailand as countries that may not face staffing difficulties yet are on the incentive list, further casting doubt on the usefulness of the third criteria.

The result of the third criteria's overly-broad definition is that incentives may be paid at posts, and to positions, that cannot be considered hard to staff. The third criteria should be refocused, to take into account the fact that countries cannot meaningfully be considered hard to staff. Correcting this situation would allow posts facing real staffing difficulties to offer incentive payments, while those without staffing difficulties would not be eligible. While this would likely reduce the number of FSOs qualifying for incentive payments, the original intent of this criteria--

to pay language incentives only at posts that are hard to staff--should be maintained but restricted to those posts facing real staffing difficulties.

Recommendation 15: We recommend that the Director General of the Foreign Service and Director of Personnel, working with the Foreign Service Institute, revise the criteria that determine incentive language eligibility. The new criteria should allow inclusion only of those languages that are spoken in countries of demonstrably critical significance to U.S. foreign policy interests. The new criteria should further restrict language incentive payments only to those posts with identified staffing difficulties.

Recommendation 16: We recommend that the Director General of the Foreign Service and Director of Personnel evaluate the feasibility of linking incentive payments to hard to fill positions, as opposed to posts or countries.

Bureaus that commented on Recommendations 15 and 16 include M/DGP, EUR, NEA/SA, and EAP. Each of these bureaus disagrees with Recommendation 15's proposed requirements for revising the incentive language criteria. In addition, M/DGP, NEA/SA and EAP disagreed with Recommendation 16's requirement for the Department to consider linking incentive eligibility to individual positions; EUR agreed with Recommendation 16. We respond to these comments fully in appendix H.

A previous OIG report (Special Report SORT-93-10, *Department of State Foreign Language Program*) pointed out that the criteria used to determine incentive languages are not published in the FAM and recommended that the criteria be published in the FAM. M/DGP agreed in principle with this recommendation and stated in April 1994 that the criteria would be included in a FAM supplemental handbook. However, as of November 1996 M/DGP has not included the criteria in the FAM supplemental handbook.

Recommendation 17: We recommend that the Director General of the Foreign Service and Director of Personnel incorporate the criteria used to determine incentive languages into the Foreign Affairs Manual supplemental handbook.

All Bureaus concurred with Recommendation 17.

Incentive List Maintenance

Currently, the Department has no mechanism by which to conduct a periodic review of the incentive language list. Officials at M/FSI and PER indicated that this is a deficiency in the program. Changing international conditions and U.S. priorities could render obsolete previous judgments against which the incentive criteria were applied, particularly the second and third criteria (previously described). Countries that are of significance to U.S. interests today may be less so tomorrow; the fall of the Berlin Wall and the collapse of the Soviet Union are examples of how conditions can change dramatically. Despite many changes over the past decade, no

languages have been removed from the incentive list, although many languages, such as those spoken in the Newly Independent States, have been added.

Given the possibility of changing world conditions and post staffing patterns and given incentive list criteria, which rely heavily on predictions of both, any sound incentive language list must include a periodic review. Such a review would ensure a current, valid incentive language list. If the languages do not continue to meet the criteria, they can be removed from the list. In this way, the incentive list could best meet the Department's current needs, while minimizing unnecessary incentive payments.

Recommendation 18: We recommend that the Director General of the Foreign Service and Director of Personnel and the Foreign Service Institute, in consultation with the relevant regional bureaus, implement a biennial review of the incentive language list in order to certify that incentive languages continue to meet the criteria.

In commenting on a draft of this report, M/DGP suggested that the review of the incentive language list be conducted biennially. In addition, both EUR and NEA/SA suggested that the recommendation call for M/DGP and M/FSI to consult with appropriate regional bureaus in performing the review.

We agreed with both suggestions and have modified this recommendation accordingly.

C. BETTER MANAGEMENT CONTROLS ARE NEEDED

The management controls and processes governing the Language Incentive Pay program are cumbersome and prone to error, resulting in incentive payments to ineligible individuals. Improving the management controls over the Language Incentive Pay program will help prevent inappropriate incentive payments, saving money and staff time.

WGI Process Ineffective

The mechanism by which the Department awards WGIs for study of incentive languages at M/FSI is ineffective and can result in improper incentive payments. Currently, when an FSO completes the initial 16 weeks of incentive language training, or successfully passes the end-of-training proficiency test, he or she is awarded one to three WGIs. M/FSI's Language Testing Unit (hereinafter referred to as the Testing Unit) generates a memorandum stating that the individual may be eligible for WGIs. The Testing Unit sends this memorandum to the Bureau of Personnel's Information Management Division (PER/EX/IM), which then processes an SF-50 and initiates the WGI(s). This process is functioning very poorly; officials at both the Testing Unit and PER/EX/IM are dissatisfied with the mechanism, and feel that changes should be made.

Incorrect Numbers of WGIs Awarded

We reviewed Testing Unit and PER/EX/IM records, and found numerous cases where FSOs were awarded too many or too few WGIs. Most of the cases where too many WGIs were awarded were caught prior to erroneous payments being made; however, several cases resulted in individuals being paid for WGIs for which they were not entitled, including a member of the Senior Foreign Service, who erroneously received an Senior Foreign Service level increase, and two FSOs who erroneously received one extra WGI. We notified PER/EX/IM of those cases, and the extra WGIs--worth approximately \$7,000 annually--have been rescinded. The cases where too few WGIs were awarded resulted in delays of several months to 6 years before the correct number of WGIs were awarded. We found no cases where an FSO was unaware that he or she was due WGIs that he or she had not received.

Discussions with PER/EX/IM officials and with FSOs at overseas incentive posts revealed numerous instances of incentive language WGIs that had been awarded many months, and in some cases years, late. PER/EX/IM officials told us that long delays in awarding WGIs result in several hours of work for already overworked personnel technicians, as well as the processing of a retroactive payment for the FSO. In addition, some FSOs we spoke with at overseas posts expressed deep concern over the low priority the Department appears to place on ensuring that their WGIs are awarded in a timely fashion.

PER/EX/IM officials believe that such errors are the result of an inefficient process, which can contribute both to an incorrect number of WGIs being awarded and delays in awarding the correct number of WGIs. In addition, the eligibility memorandums sent by the Testing Unit to request awarding of WGIs sometimes contain mistakes. However, PER/EX/IM does not have the ability to easily verify the information contained in the Testing Unit's memorandums. In addition, the Testing Unit will sometimes send corrected memorandums if a mistake has been made; in at least one case we reviewed, the PER/EX/IM staff involved processed both memorandums for WGIs and did not notice that the second memorandum was meant to correct the first. PER/EX/IM officials believe that as the keeper of language training and test score data, the Testing Unit should take control of the WGI process, and directly generate SF-50's through the personnel computer system, rather than requesting that PER/EX/IM perform that task.

The Testing Unit does not agree and believes it is PER's function to generate personnel actions--not M/FSI 's. In addition, Testing Unit officials stated that they do not have a sufficiently automated database to allow precise tracking of individual FSO's language test history. The Testing Unit currently has to check paper files on each student to verify that the individual has not previously received WGIs for studying the same language. These officials believe that it is a difficult task, and one for which they do not wish to be responsible. In fact, the eligibility memorandums generated by the Testing Unit state that the FSO may be eligible for the WGI(s). Testing Unit officials told us that this qualification is intended to alert PER that the Testing Unit cannot be certain of eligibility, and that PER should be responsible for ensuring that the WGI(s) are appropriate.

We believe that the current process is inefficient, prone to error, and is not serving the needs of the Department or its FSOs. However, since Recommendation 3 calls for replacing WGIs for incentive language study and proficiency with lump-sum bonuses, we are not making recommendations in this regard at this time.

Problems with At-Post Bonuses

We found cases where at-post incentive bonuses were paid to individuals no longer stationed at their respective incentive posts. In addition, there are problems with the departure notices that are generated whenever an FSO departs a post for an onward assignment. Improved controls over the incentive payments and adherence to departure notice reporting requirements could help prevent erroneous incentive payments, resulting in cost savings for the Department.

Erroneous Payments

As part of our audit, we reviewed FMP records of individuals receiving at-post Language Incentive Pay bonuses from 1990 to 1995. We examined a sample of 65 such records and discovered five cases in which at-post incentive payments continued after the recipient's eligibility had ended. According to the FAM, incentive payments should be terminated as of the end of the pay period during which the employee departs post. However, in these five cases payments

continued after the employee left post. In two cases, payments had continued for over a year after departure and were still being made to the individuals at the time of our review; in neither case had the individual informed the Department about the erroneous payments. We alerted FMP to all five of these cases, and it has billed the individuals involved for over \$27,000 in overpayments.

According to FMP, it is the responsibility of the Financial Service Center to terminate incentive payments upon employees' departure. Officials at Financial Service Center Bangkok stated that a two-step process is required to ensure that incentive payments are terminated when an FSO departs post. First, the departure notice--generated by post and forwarded to the Financial Service Center--is mandated by 3 FAM 533 to contain a statement to stop incentive language payment as of the end of the pay period in which the date of departure falls. Secondly, the Financial Service Center payroll technician handling that FSO's file--alerted by the departure notice--should ensure that the incentive has been terminated in the Consolidated American Payroll Processing System prior to handing off the authority to update the employee's payroll file to the gaining Financial Service Center.

We discussed two of the cases we found, where the FSOs involved had been stationed at posts within Financial Service Center Bangkok's jurisdiction. In neither case did the departure notice contain the proper wording. Officials at Financial Service Center Bangkok stated that such cases where incentive payments are not terminated are rare and that in most cases the payroll technicians check to see that Language Incentive Pay is terminated, regardless of whether the departure notice contained the appropriate wording. Officials at Financial Service Center Charleston confirmed that their process is similar.

Based on this information, we reviewed the payroll files of a random sample of FSOs who had been receiving incentive pay at various incentive posts, and who had departed the incentive post between 1994 and 1995. Of the 50 FSO files in our sample, approximately 40 percent contained departure notices generated when those individuals departed their incentive post, which did not contain the notice required by 3 FAM 533. In addition, the personnel officers at three out of five overseas posts visited were unfamiliar with the FAM requirement. In each case, the individual stated that he or she relies on part-time/intermittent/temporary employees or FSNs to generate departure notices and adhere to the FAM requirements.

Improvements should be made to the controls over language incentive payments in order to prevent payments to ineligible individuals. Such improvements would result in savings for the Department. We discussed this issue with FMP and asked whether it could modify the payroll system to automatically terminate language incentive payments once an employee's organization code changes to a non-incentive post. FMP stated that while this is feasible, such a modification would likely be given low priority by the Department, as there are many higher-priority payroll system modifications awaiting action. Given the likely cost savings for the Department inherent in preventing erroneous incentive payments, such a modification should receive priority attention from FMP.

Recommendation 19: We recommend that the Bureau of Finance and Management Policy modify the payroll system to automatically terminate language incentive payments when an employee's organization code changes.

Finally, better adherence to the FAM requirement for departure notice reporting would help prevent erroneous incentive payments in those cases where an FSO transfers from one incentive post to another but is not eligible for the incentive payments at the new post, and a detailed review of all current incentive recipients is warranted to determine whether additional erroneous payments are being made.

Recommendation 20: We recommend that the Director General of the Foreign Service and Director of Personnel remind all posts of the requirements contained in volume 3 of the Foreign Affairs Manual 533 for departure notice reporting for individuals receiving language incentive pay.

Recommendation 21: We recommend that the Bureau of Finance and Management Policy undertake a review of all current recipients of language incentive pay to ensure that each is eligible for those payments.

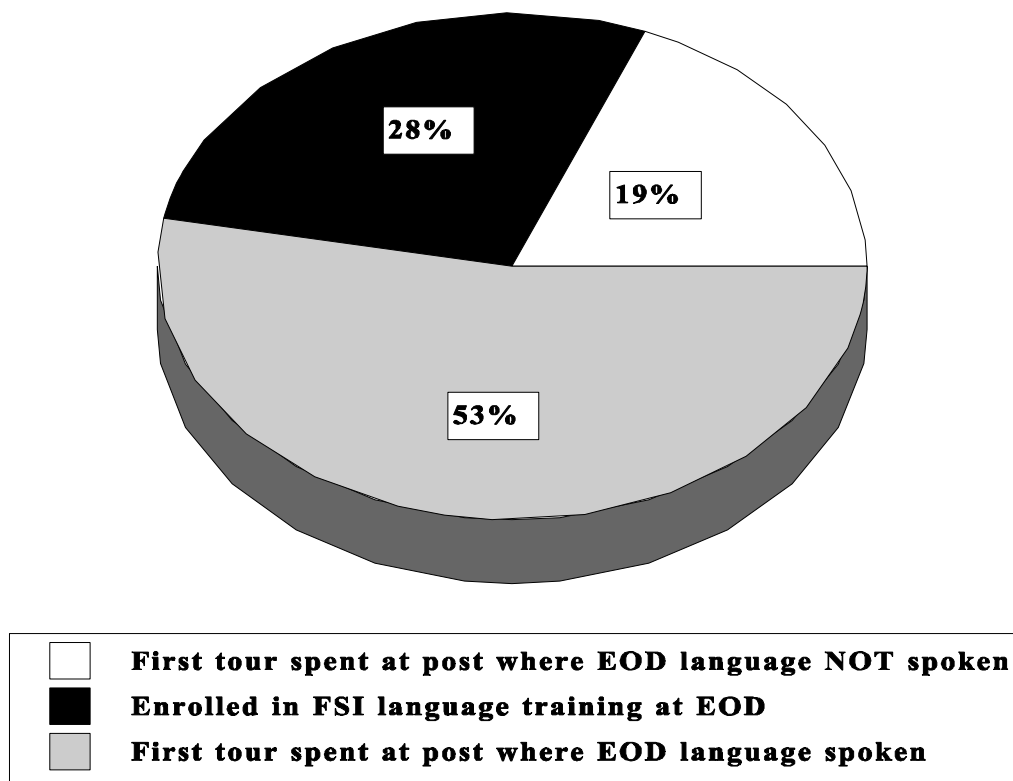
FMP concurred with Recommendations 19 and 21; M/DGP concurred with Recommendation 20.

V. OTHER MATTER FOR CONSIDERATION

Managing Assignments of Language-Qualified JOs

Given that language skills are subject to attrition if not used, during our review we attempted to determine what percentage of new JOs who receive extra WGIs for language proficiency spend their first tour at a post where they can use their language skills. We found that the Department has no specific goal regarding the percentage of JOs who receive extra WGIs when hired for language skills that are assigned to a post where they can use those skills in the first tour. In many cases, the Department does not immediately take advantage of those language skills. Of the 85 new JOs who were awarded WGIs for existing language skills from 1992 to 1995, about 47 percent spent their first tour at a post where they could not use their existing language skills or were enrolled in M/FSI language training in a different language. Figure 5 shows the first tours of new JOs with existing language skills.

FIGURE 5.
FIRST TOURS OF NEW HIRES WITH EXISTING
FOREIGN LANGUAGE SKILLS



As Figure 5 demonstrates, nearly half of the new hires receiving WGIs for existing language proficiency do not use their language skills in their first tour. This differs from the other language incentives. FSOs who receive WGIs for incentive language study and proficiency generally proceed to a post where that language is spoken, while the payment of the at-post incentive language bonus begins only when the officer arrives at post.

In addition, almost 40 percent of the language-proficient new hires who did not use the language skills they possessed prior to joining the Department in their first tour, had proficiency in multiple languages when hired. Thus, in many cases the new hires could possibly have been posted to one of a number of countries, in order to take advantage of the language skills for which the Department was already paying the individual. Table 5 shows the number of languages possessed by these individuals (only those languages in which the individual was proficient at the S-2/R-2 level or greater are counted).

TABLE 5.
NUMBER OF FOREIGN LANGUAGES SPOKEN BY NEW HIRES WHO RECEIVED
WGIs WHEN HIRED BUT DID NOT USE LANGUAGE SKILLS IN FIRST TOUR

One Language	Two Languages	Three Languages	Four Languages
62.5%	17.5%	12.5%	7.5%

Given the lack of criteria establishing what percentage of language-proficient JOs should serve their first tour at a post where they can use a language for which they received WGIs, we cannot say whether the Department's record in this regard is successful. During the course of our review, however, we were told about several cases where new FSOs with significant existing foreign language skills were not able to use those skills after entering the Foreign Service. In one instance, an FSO with S-3+/R-3 proficiency in Japanese joined the Foreign Service expecting to be stationed in Japan. The individual was awarded additional WGIs when hired and was then stationed in Toronto. After being told he would not be sent to Japan for his second tour, the officer resigned from the service. In another case, a tandem couple, both of whom had proficiency in Chinese as well as graduate degrees in Chinese culture/politics and experience living in China, bid for but were unable to obtain assignments at a Chinese-speaking post. Both individuals have received M/FSI training in several other languages (including incentive languages) since then. The Department never gained use of these individuals' Chinese language skills, even though they received WGIs when hired based on those skills.

We found other similar examples. A JO who joined the Department in March 1994 with S-2/R-2 proficiency in Arabic--a super-hard language--was first posted to Bombay, while a classmate with no proficiency in Arabic was posted to Cairo at the same time. In another

example, a JO who entered service in October 1994 with S-4+/R-4 proficiency in Polish was immediately enrolled in Romanian language training. Meanwhile, an A-100 classmate was placed into Polish language training, to be posted to Poland.

Officials in PER's Junior Officer Division said there are many factors involved in the assigning of new JOs to their first few tours, and that language proficiency is only one. Other factors include needs of the service, family or medical considerations, and the interests/desires of the officer. These officials further stated that sometimes positions are not available at posts where the appropriate language(s) are spoken. Rather than assign the JO to Washington duty for several months until such a position comes open, they believe it is more advantageous to assign the officer to another post or enroll him or her in additional language training. These officials said that a possible solution in some cases would be to have some language proficient JOs wait to enter with a future class, since PER might be better able to place them at a post where their language skills could be used. One way to accomplish this would be to allow the Foreign Service Candidate Register to be "frozen" for multiple entering classes. This could allow PER to offer incoming JOs the option of entering within one of several classes, based on projected availability of positions using their existing language skills. Currently, new JOs cannot decline to enter with their class without risking their position on the register.

We understand that there are other factors at play besides language proficiency, and that JO assignments attempt to meet the needs of the posts, the JO, and the Department at large. However, because the Department is paying extra salary to new JOs with language skills and since such skills are subject to attrition when not used, it might benefit the Department to consider whether criteria should be established to either place more emphasis on using the language skills of new JOs during their first tour or, as suggested by PER, devise a process to make available deferred entry-on-duty for language-qualified JOs.

We suggest that M/DGP evaluate whether the Department could benefit from establishing appropriate goals regarding the percentage of language-proficient JOs that serve their first tour at a post where they can use their existing language skills. We also suggest that M/DGP consider revising the current regulations to allow freezing the Foreign Service Candidate Register for multiple entering classes.

VI. CONSOLIDATED LIST OF RECOMMENDATIONS

Recommendation 1: We recommend that the Director General of the Foreign Service and Director of Personnel take steps to ensure the availability of within-grade step increases for existing language proficiency and the high pass are publicized to prospective Foreign Service recruits through informational materials and during recruiting interviews.

Recommendation 2: We recommend that once Recommendation 1 has been implemented, the Director General of the Foreign Service and Director of Personnel monitor the effectiveness of the incentive. Should the incentive prove ineffective in attracting language proficient candidates to the Foreign Service, it should be discontinued.

Recommendation 3: We recommend that the Director General of the Foreign Service and Director of Personnel replace the within-grade step increases for incentive language study and proficiency with lump-sum bonuses, equal in value to the 1-year value of the within-grade step increases that are replaced.

Recommendation 4: We recommend that the Director General of the Foreign Service and Director of Personnel take steps to ensure that officers enrolled in long-term incentive language training serve more than one tour at a post where that incentive language can be used. In addition, every effort should be made to ensure that these multiple tours are served as close together as possible, to help prevent the need for additional language training prior to the start of the follow-on tour.

Recommendation 5: We recommend that the Director General of the Foreign Service and Director of Personnel (M/DGP) revise the Foreign Affairs Manual to exclude Chiefs of Mission and Deputy Chiefs of Mission (excluding Deputy Chief of Mission/Special Embassy Program (DCM/SEP) incumbents) from receiving language incentives, including both bonuses for completing incentive language training, and at-post bonus payments. We further recommend that M/DGP review the issue of whether to exclude DCM/SEP incumbents if compelling justification cannot be found for allowing such individuals to continue to receive the incentives.

Recommendation 6: We recommend that the Director General of the Foreign Service and Director of Personnel require that all Foreign Service Officers assigned to incentive language posts and who will receive language incentive payments be required to take a proficiency test prior to beginning their tour of duty, if their last proficiency test in that language is more than 6 months old.

Recommendation 7: We recommend that the Director General of the Foreign Service and Director of Personnel replace the Foreign Affairs Manual guarantee of incentive payments throughout a tour with the requirement that incentive payments be terminated if an officer's

proficiency score falls below the S-3/R-3 level, or if the proficiency score expires without a retest, during the FSO's tour.

Recommendation 8: We recommend that the Foreign Service Institute design and make available to all overseas posts a post language maintenance system tailored to each foreign language. The goals of the system(s) should be to maintain the language proficiency of officers who have graduated from language training or who are receiving language incentive pay. The system(s) should be easily afforded and implemented by posts with constrained resources.

Recommendations 9-13: We recommend that the geographic bureaus, once the Foreign Service Institute has implemented Recommendation 8, should strongly encourage its overseas posts to obtain and implement the Foreign Service Institute-designed language maintenance system(s). In addition, the bureaus should strongly encourage language-proficient Foreign Service Officers to use the system once available. (Recommendation 9 - EUR, Recommendation 10 - NEA/SA, Recommendation 11 - EAP, Recommendation 12 - AF, Recommendation 13 - ARA).

Recommendation 14: We recommend that the Director General of the Foreign Service and Director of Personnel and the Foreign Service Institute study the feasibility of and potential benefits from implementing a language maintenance incentive. Such an incentive should reward Foreign Service Officers who successfully maintain incentive language skills while serving at non-incentive posts and who subsequently serve a future tour in a language designated position at an incentive post, but do not require refresher training.

Recommendation 15: We recommend that the Director General of the Foreign Service and Director of Personnel, working with the Foreign Service Institute, revise the criteria that determine incentive language eligibility. The new criteria should allow inclusion only of those languages that are spoken in countries of demonstrably critical significance to U.S. foreign policy interests. The new criteria should further restrict language incentive payments only to those posts with identified staffing difficulties.

Recommendation 16: We recommend that the Director General of the Foreign Service and Director of Personnel evaluate the feasibility of linking incentive payments to hard to fill positions, as opposed to posts or countries.

Recommendation 17: We recommend that the Director General of the Foreign Service and Director of Personnel incorporate the criteria used to determine incentive languages into the Foreign Affairs Manual supplemental handbook.

Recommendation 18: We recommend that the Director General of the Foreign Service and Director of Personnel and the Foreign Service Institute, in consultation with the relevant regional bureaus, implement a biennial review of the incentive language list in order to certify that incentive languages continue to meet the criteria.

Recommendation 19: We recommend that the Bureau of Finance and Management Policy modify the payroll system to automatically terminate language incentive payments when an employee's organization code changes.

Recommendation 20: We recommend that the Director General of the Foreign Service and Director of Personnel remind all posts of the requirements contained in volume 3 of the Foreign Affairs Manual 533 for departure notice reporting for individuals receiving language incentive pay.

Recommendation 21: We recommend that the Bureau of Finance and Management Policy undertake a review of all current recipients of language incentive pay to ensure that each is eligible for those payments.

DERIVATION OF LANGUAGE INCENTIVE PAY PROGRAM COST ESTIMATES

Based on our review, we estimate that the Department's Language Incentive Pay program cost about \$7.7 million in FY 1995. This figure consists of two parts: expenditures on at-post incentive language bonuses (about \$3.7 million), and expenditures related to the within-grade step increases awarded for incentive language study and proficiency (estimated at about \$4 million).

At-Post Incentive Language Bonuses

We obtained data from the Bureau of Finance and Management Policy (FMP) that contained expenditures, by post, for at-post incentive language bonuses. This data revealed that the Department expended about \$3.7 million on at-post incentive language bonuses in FY 1995.

Within-Grade Increases

The Department does not maintain data on the costs associated with WGIs, whether Language Incentive Pay-related or not. In order to estimate the total residual costs of Language Incentive WGIs for the Department, we created a cost model. This model estimates both 1-year WGI cost (additional salary paid out during the first year after the WGIs are awarded), as well as in-service residual costs (additional salary paid out after the first year up until retirement from service). Our model did not take into account any effect of language incentive WGIs on pensions or other annuities after retirement from service.

First-year costs

Based on data from PER/EX/IM we determined the number of Language Incentive WGIs awarded in FY 1995, and the resulting salary increases for individual FSOs. This data shows that the Department awarded about 335 WGIs for incentive language study and proficiency. The total 1-year cost for these WGIs is about \$520,000.

Out-year residual costs

In order to estimate out-year residual costs, we created a notional FSO pool of Language Incentive Pay WGI recipients, based on the actual FY 1995 recipient pool, and PER data on 1995 promotions. This pool consists of 112 FSOs, each receiving 3 Language Incentive WGIs. Based on the data from PER/EX/IM described above, we were able to identify how many FSOs, by grade and step, actually received WGIs in FY 1995. Within each grade, we calculated the average step of a WGI recipient at that grade, as well as what percentage of FY 1995 WGI

recipients each grade represented. We applied this data to our notional FSO pool, to arrive at a breakdown of the 112 notional FSOs by grade and average step.

Next we used PER data on 1995 promotion rates, as well as the regulations governing promotion, awarding of regular within-grade increases, and time-in-class restrictions to track the FSOs at each grade of our notional pool through the remainder of their careers. The model assumed that each FSO in our notional pool would be promoted at the average rates determined in PER's 1995 promotion data. The model also assumed that regular WGI's would be awarded on time.

We also assumed that (1) the FSOs in the notional pool begin incentive language training 1 year after their last promotion; (2) they are enrolled in 1 year of incentive language training; and (3) they receive their 3 WGIs at the end of that year.

Based on the data and assumptions used, the model estimated that the awarding of 335 Language Incentive WGIs in FY 1995 to a typical group of FSOs would result in residual out-year costs of about \$3.5 million. Within each grade of WGI recipients, the amount of residual costs varied greatly, as did the number of years over which those residual costs would be paid out. Based primarily on differences in promotion rates between FO-04, FO-03 and FO-02, our model estimated total in-service payout for a 3 WGI increase would vary for typical FSOs, as depicted in Figure 2 on page 20.

**OIG RESPONSES TO SELECTED BUREAU COMMENTS
TO THE DRAFT REPORT**

Recommendation 3: We recommend that the Director General of the Foreign Service and Director of Personnel replace the within-grade step increases for incentive language study and proficiency with lump-sum bonuses, equal in value to the 1-year value of the within-grade step increases that are replaced.

In commenting on a draft of this report, M/DGP and M/FSI suggested eliminating the WGIs for incentive language study and **not** replacing them. Their position is that there are sufficient incentives available to encourage incentive language study (such as the time in class waiver). In addition, M/FSI recommended ending the at-post language incentive payments as well.

Geographic bureaus that commented on the draft report were divided on Recommendation 3. EUR concurred in full; NEA/SA concurred with this recommendation's intent but stated that lump sum bonuses would not provide as much of an incentive as the WGIs. EAP opposed replacing WGIs with lump sum bonuses, noting that they already face problems finding qualified bidders for their LDPs, and that the WGIs for incentive language study are a strong draw in helping them fill these positions at all of their posts.

Based on our fieldwork, we disagree with the contention of M/DGP and M/FSI that incentives for incentive language study are unnecessary. As we noted in the report, while the incentive is not a primary motivator for most FSOs, it does serve some motivational purpose during the training to encourage FSOs to do the best they can. Thus, while the motivational value of the incentive does not warrant WGIs that may continue to pay for years, we believe that a one-time lump sum bonus is an appropriate incentive. In addition, we do not agree with M/FSI's contention that the at-post incentive should be eliminated outright. Though the manner in which incentive languages are designated is problematic and leads to payment of at-post incentives that are probably not necessary (see Finding B), we believe the theory behind awarding at-post incentives to FSOs who possess critical language skills is sound.

Regarding EAP's assertion that the WGIs for incentive language study are a strong attractant for qualified bidders, our fieldwork indicates otherwise. We spoke at length with many FSOs serving in language designated positions at 5 EAP posts, as well as numerous FSOs in Washington. In very few cases did an FSO indicate that the WGIs are a primary motivator in their decision on incentive language study; most consider the WGIs a secondary motivator at best, considered only after factors such as career and family needs, personal interests, and at-post allowances. While EAP may believe otherwise, based on our work we believe that the secondary

nature of the motivational value behind the WGIs would be more appropriately rewarded with lump sum bonuses.

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Recommendation 4: We recommend that the Director General of the Foreign Service and Director of Personnel take steps to ensure that officers enrolled in long-term incentive language training serve more than one tour at a post where that incentive language can be used. In addition, every effort should be made to ensure that these multiple tours are served as close together as possible, to help prevent the need for additional language training prior to the start of the follow-on tour.

In commenting on a draft of this report, M/DGP stated that it interprets our data to indicate that there may not be a problem in lack of repeat tours, since in a period of 10 years the "average" FSO will serve 3 tours. M/DGP believes that if 35 percent of incentive language trained FSOs serve a repeat tour in a 10-year period, this percentage is actually quite high.

Notwithstanding M/DGP's assertion that 3 tours could be expected in 10 years, as noted on page 21 the FSOs trained in incentive languages that we reviewed had between 4 and 6 tours during the period in question--which was at most 10 years, and in numerous cases only 8 or 9 years. The fact that only 35 percent of incentive language trained officers serve more than one tour in the 8-10 years subsequent to their training--though they served 4-6 tours overall-- leads us to the conclusion that the Department could do a better job of utilizing these individuals once trained, particularly since language skills degrade over time if not used. We therefore continue to believe that our data demonstrates the need to place more emphasis on ensuring repeat tours.

Both EUR and NEA/SA agreed with the intent of Recommendation 4, but were concerned with its practicality. Both bureaus noted that since some incentive languages are spoken in a single country with a single post, repeat tours could be problematic. In addition, these bureaus noted that PER rules governing the assignment process would often preclude follow-on tours.

We understand that there will be cases where a follow-on tour in the same incentive language may be impractical, or in some cases impossible. However, we believe this will be the exception rather than the rule. Recommendation 4 does not mandate repeat tours in every case, nor does it mandate that the repeat tour be served immediately after the initial tour. However, Recommendation 4 does call on the Department to ensure that in those cases where it is possible, a repeat tour is served. This is vital to the Department's ability to get the most for its language training dollar.

Recommendation 6: We recommend that the Director General of the Foreign Service and Director of Personnel require that all Foreign Service Officers assigned to incentive language

posts and who will receive language incentive payments be required to take a proficiency test prior to beginning their tour of duty, if their last proficiency test in that language is more than 6 months old.

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Recommendation 7: We recommend that the Director General of the Foreign Service and Director of Personnel replace the Foreign Affairs Manual guarantee of incentive payments throughout a tour with the requirement that incentive payments be terminated if an officer's proficiency score falls below the S-3/R-3 level, or if the proficiency score expires without a retest, during the FSO's tour.

In commenting on a draft of this report, M/DGP questioned the appropriateness of the 6-month test window prior to the start of a follow-on tour, contained in Recommendation 6. In addition, M/DGP suggested the elimination of Recommendation 7, noting that there would be no need to stop incentive payments if FSOs had retested at the start of a tour.

In discussions with M/FSI regarding the nature of language skills attrition, it became apparent that these skills degrade at different rates for different people. The one common denominator in every case is that skills degrade over time; the longer it has been since one last used the language, the more attrition one is likely to suffer. Six months was selected as a timeframe that would allow flexibility in scheduling tests prior to the start of a tour, yet not be so distant from the tour start date as to defeat the purpose of the retest--which is to ensure that the FSO arrives at post with the requisite skills to receive the incentive payments. Additionally, since M/FSI raised no objections to the 6-month window, we assume the proposal is sound from its perspective. Regarding Recommendation 7, we believe that there could be instances where a tour may go beyond the proficiency score validity period, such as in the case of an extended tour or if the FSO bids on another position at the same post. While such cases may be few in number, we believe it is desirable to modify the FAM to allow for such circumstances.

M/FSI agreed with Recommendations 6 and 7, but noted that, under Recommendation 7, it would be difficult for supervisors in the field to subjectively determine when subordinates' proficiency had degraded below the level required for incentive payments.

Recommendation 7 does not state that supervisors at post should attempt to determine on their own whether FSO language skills have degraded. Rather, Recommendation 7 is intended to ensure that if an FSO's proficiency falls below the level required for incentive payments--and this fact is documented through a retest--that the incentive payments be terminated; or, alternatively, if the proficiency score expires during the tour in question, payments would cease unless the FSO is successfully retested. This recommendation is predicated on the notion that each FSO receiving incentive payments has a professional responsibility to maintain those skills at the level required by the FAM for incentive payments. We believe that guaranteeing payments will

continue throughout a multi-year tour can lead to instances where FSOs allow their skills to lapse while the incentive payments continue.

EUR and NEA/SA concurred with Recommendations 6 and 7, contingent upon FSOs being provided the opportunity to test prior to the start of their tour. EAP concurred with the
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intent of Recommendation 6 but suggested that the recommendation be modified to state that incentive payments for a follow-on tour would not commence until the FSO successfully passed a proficiency test--placing the burden of arranging the testing on the FSO.

Implicit in EAP's comment is the idea that monitoring the status of one's own proficiency score should be the province of the FSO, including scheduling one's own proficiency test prior to starting a new assignment. However, we believe that it is in the Department's interest to retain a role in this process. M/FSI maintains records of proficiency scores and test dates. We believe that M/FSI, working with PER, would be better able to arrange testing for officers assigned to language designated positions in the bid cycle. Placing the burden on each individual to arrange his or her own test could unnecessarily complicate matters.

In discussions about their comments to the draft report, EAP also expressed a concern over the logistics of scheduling proficiency tests for FSOs transferring between overseas posts. EAP believes that it could be difficult for FSOs to schedule the test during their 1-week consultation in Washington.

The requirement to test during the 1-week consultation period would only apply to those FSOs transferring between overseas posts who (1) would not be in Washington for other business after learning of their assignment and prior to their final week of duty in their current position; (2) could not arrange for M/FSI to conduct a field test at post; and (3) could not arrange for a telephone test. We believe that with proper planning M/FSI could arrange to handle the required proficiency tests--either during the FSOs' 1-week consultation or with field or phone tests. The advance notice that an FSO will need to be tested, in most cases, is significant.

In addition, EAP strongly disagreed with Recommendation 7, noting that, among other reasons, successfully retesting before the start of a tour should suffice to protect incentive payments throughout a tour. We disagree with this assertion. The purpose of at-post incentive payments is to compensate the FSO for providing the Department with a skill the Department needs. Once the officer no longer possesses the skills at the required threshold, there is no reason to continue to compensate the officer. The Department has the authority to adjust other allowances, such as post allowances, downward or upward to fit the applicable criteria for those allowances. The governing of language incentive pay should not be treated differently. As stated above in response to M/FSI's comment, this recommendation is predicated on the notion

that each FSO receiving incentive payments has a professional responsibility to maintain those skills at the level required by the FAM for incentive payments.

Recommendation 15: We recommend that the Director General of the Foreign Service and Director of Personnel, working with the Foreign Service Institute, revise the criteria that determine incentive language eligibility. The new criteria should allow inclusion only of those languages that are spoken in countries of demonstrably critical significance to U.S. foreign policy interests. The new criteria should further restrict language incentive payments only to those posts with identified staffing difficulties.

Recommendation 16: We recommend that the Director General of the Foreign Service and Director of Personnel evaluate the feasibility of linking incentive payments to hard to fill positions, as opposed to posts or countries.

In commenting on a draft of this report, M/DGP agreed with the need for revision of the incentive language list but did not agree with the requirements of Recommendation 15 that the revised criteria should allow inclusion only of those languages that are spoken in countries of demonstrably critical significance to U.S. foreign policy interests, and should further restrict language incentive payments only to those posts with identified staffing difficulties.

All three of the geographic bureaus also questioned the wisdom of these requirements. The primary reason cited for disagreement with the requirement that the criteria allow inclusion only of those languages that are spoken in countries of demonstrably critical significance to U.S. foreign policy interests was the practical difficulty in prioritizing the importance of other nations to U.S. interests. In addition, these bureaus are concerned with who will make the decision on prioritization. Regarding the requirement of Recommendation 15 that the incentive list be restricted to those posts with demonstrated staffing difficulties, all three geographic bureaus disagreed. They noted the difficulty in defining which posts would qualify as having demonstrated staffing difficulties. In addition, two of the bureaus noted that they believe the definition of an incentive language should be broad enough to include all posts within a country speaking that language.

We continue to believe that the criteria for incentive languages should take into account the critical importance and staffing difficulties of hard language posts. The goal of this program is to get FSOs qualified in critical languages to use those skills at post. This incentive is most needed at those hard language posts of critical importance to U.S. interests which face problems attracting qualified FSOs to bid on LDPs. The problem is both one of staffing and of language skills. We believe that the best way to approach the problem is to continue to offer monetary incentives to those who serve at a critical, difficult-to-staff incentive language post and bring proficiency in the post's incentive language. We believe that the current system of classifying incentive languages has led to individuals receiving incentive payments who are serving at posts for which they needed no additional incentive to bid on.

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M/DGP, EAP and NEA/SA each disagreed with Recommendation 16. Chief among the reasons cited was concern over potential inequities that could result from certain LDPs at incentive posts qualifying for the incentive, while other LDPs might not. In addition, the bureaus expressed concern that because positions are not designated hard-to-fill until after the first bidding cycle, some FSOs will perceive a disincentive in bidding on those positions during the first cycle, perhaps waiting until those positions are subsequently classified as hard to fill.

We do not agree that classifying certain LDPs at a post as eligible for incentive language payments would create inequities. Such differences in pay (whether labeled inequities or not) already exist in a variety of ways. Some FSOs receive the language incentive payments, while others who received a slightly lower proficiency rating--yet are performing the same or a similar job--may not. Certain specialists qualify for premium pay. Post allowances are based on a percentage of base pay, which many would argue favors higher-graded officers who would actually need the allowances less due to their higher salary. Awards go out to some FSOs, while not to others.

Differences in compensation among FSOs performing the same or similar jobs at post already exist without apparent detriment. The needs of the Service to fill certain positions with qualified FSOs should certainly be given due consideration in determining whether language incentive pay could be linked to individual positions.

Regarding the concerns expressed about the requirement of Recommendation 16 that the Department study the feasibility of linking language incentive pay to individual positions, we are not convinced that language-qualified FSOs would attempt to game the system in the manner described in some bureau comments. Given the comments received from the numerous FSOs we interviewed, it is apparent that career and other professional needs play a paramount role in most bidding decisions. It seems unlikely that many FSOs would give up the opportunity to bid on a position they truly wanted, on the chance that such a position would still be open--and subsequently declared eligible for incentive payments--at a later date. In cases where the position in question was not among an FSO's preferred postings, the subsequent classification of that position as eligible for language incentive pay could well motivate that officer to bid, should the officer's preferred positions be unavailable--the very goal of the incentive.

Regarding the bureaus' apparent logistical concern over linking language incentive pay to individual positions, we believe it would be possible to accomplish such a linkage with minimal disruption to the bid process. For example, the language incentive eligibility of individual positions could be re-examined periodically, rather than with every bid cycle.

Because this recommendation calls only for further study of this issue, and noting that at least one regional bureau (EUR) agreed with the concept of linking language incentive pay to individual positions, this recommendation remains unchanged.